

STATE OF MINNESOTA  
OFFICE OF ADMINISTRATIVE HEARINGS  
FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of a Petition by  
US West Communications, Inc.  
Requesting Approval of an  
Alternative Regulation Plan

SUMMARY OF  
PUBLIC COMMENTS

A series of public meetings was held around the State according to the following schedule:

<u>Date</u>	<u>Time</u>	<u>City</u>	<u>Public Attendees</u>
January 5	1:00 p.m.	Minneapolis	23
January 5	7:00 p.m.	St. Paul	7
January 6	7:00 p.m.	Duluth	17
January 7	1:00 p.m.	Sauk Rapids	17
January 8	7:00 p.m.	Marshall	19
January 9	3:00 p.m.	Rochester	18
January 13	7:00 p.m.	Moorhead	7

At each of the sessions, a representative of the Commission staff, Department of Public Service, and the Company made brief presentations in the nature of introductions to the issue. The Residential Utilities Division of the Attorney General's Office also appeared and participated at some of the sessions. None of the numbers set forth above include any of the Commissioners, Commission staff, DPS, RUD or Company persons, although unless an individual somehow indicated association with a party, there was no way to know for sure whether or not there was an association. Therefore, these numbers must be viewed as only approximations of "true" public attendees.

None of the statements made by the Company, the Department, or RUD have been included in this summary, as they will be presenting their positions directly to the Commission.

**I. ARGUMENTS IN FAVOR OF THE PROPOSED PLAN**

1. US WEST has been a good corporate citizen in our communities. It has donated money, employee time, and retiree time to numerous community projects. Last year, it spent \$2.5 million for community activities. It has offered training programs to educationally disadvantaged persons in order to make them productive workers. It helped out the City of Duluth when the City was in trouble, by leasing a building to the City at a low rate.

2. US WEST has helped consumers, including disabled persons, to take advantage of devices that will assist them to use telecommunications to its maximum.

3. US WEST has treated rural and metro areas equally. It has invested more than \$2 billion over the last seven years throughout the State of Minnesota.

4. US WEST has given good quality service, even if it has not been the cheapest. It has helped build educational networks and improved frame relays.

5. Competition is good. The plan will foster competition. It will lead to investments in new technologies and services that will benefit all of us. US WEST needs a level playing field so it can compete and fight off "cherry pickers" that will harm residential ratepayers.

6. The plan will give state-of-the-art technology to both urban and rural subscribers by eliminating regulatory delay and assuring continued investments that benefit us all. State-of-the-art telecommunications is an absolute necessity to maintain and improve the vitality of rural areas.

7. The price cap in the plan is good. It is good for small businesses needing to grow, and it is good for rural communities that need to compete with urban communities for new jobs.

8. There is no reason to think that service quality under the plan will go down, because it hasn't so far.

9. US WEST will package services and products to meet customer needs, and if the plan will make it easier for the Company to do that, we should favor it.

## **II. ARGUMENTS AGAINST THE PROPOSED PLAN**

1. There is no meaningful competition yet, especially for residential service, so competition is not yet providing a good substitute for regulation. We should wait for competition to develop, and then deregulate. Without competition, we should "go slow". "If it ain't broke, don't fix it."

2. I don't trust US WEST. If they are free to raise their prices, they'll gouge because there is no real competition yet. It's been years since the last rate case, and both the cost of providing service and interest rates have decreased dramatically. The PUC has been lackadaisical and has not protected ratepayers. Our bills are too high now, and they should be lowered before any such plan is put into effect. Some

products from US WEST cost three times as much here as competitors charge for them elsewhere. We need to keep regulation so that we have some recourse against a monopoly provider if we have service problems.

3. If regulatory delay is holding back the introduction of new services, then the solution is to reduce the regulatory delay, not to totally deregulate the Company.

4. We need regulation to assure fair treatment for rurals versus metro. Promises are not enough.

5. A corporation, headquartered in some other state, has a tremendous incentive to cut costs and increase profits -- already there is too much voice mail, no local office, and little local contact with the ordinary customer. Our quality of service now is not anywhere near what it used to be -- the notice of the January 5 hearing was contained in a bill sent from Omaha on December 29 and received in Minneapolis on January 3. That is inadequate.

6. We need regulation to get meaningful competition.

7. There are changes which must be made to the plan before it can be approved. Among them are the following:

Some of the service classifications are wrong. For example, the Company has proposed that white page directory listings be unregulated. That is wrong, especially for seniors. White page directory listings should be price regulated.

After three years, the Company will be free to raise rates, but there is no mechanism to force them to lower rates. Under the old rate of return system, if costs went down, then rates could be forced down. But under this plan, even if costs could be shown to decrease (which showing will be very hard to make under the law), there would be no lowering of rates.

After three years, there is no limit on how far the Company could raise rates. There ought to be some limit.

After two years, some cost increases are allowed to be passed through to the ratepayer. If those same costs should decrease, then they should be passed along to the ratepayer as well. Also, the residential ratepayer is being forced to pay for certain infrastructure improvements that a residential ratepayer will never use.

In paragraph 4(f), the term "substantial compliance" is the standard for Company performance. That is too vague.

The plan allows for deaveraging of rates. That would be bad for rural subscribers, a large percentage of whom are seniors, because they most need reasonably priced telephone service. Statewide averaging is the better approach.

Bill inserts, if they are sent in time, are the best way to give notice to ratepayers. There should be stringent limitations on "other methods" to be sure they give the same kind of notice as comes from bill inserts. Bill inserts should be readable.

US WEST should be forced to give up its exclusive territories and allow customers to take service from any phone company willing to serve them. The maps and boundaries should be eliminated.

8. As the dominant carrier, US WEST controls what prices others can charge, at least for basic services. If the Commission lets US WEST raise prices at will, all companies will raise their prices to that new level, to the detriment of consumers.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 1998.

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ALLAN W. KLEIN  
Administrative Law Judge

### **MEMORANDUM**

This summary contains all of the potentially relevant comments which were made at the public meetings or to the Administrative Law Judge in writing. Some of them, quite frankly, are not logically correct. However, they are presented here for the Commission to evaluate. In particular, whether or not the Company has been a good corporate citizen does not assist in answering whether or not the Commission should approve the plan. Similarly, whether or not the Commission has been overly harsh, or overly lackadaisical, in its past regulation of the Company does not assist in answering the question of whether or not the Commission should approve the plan. Nonetheless, the Administrative Law Judge has included all of these types of comments in the summary, so that the Commission can sort through the ones which it believes to be truly relevant to the decision it must make.

AWK